

Corporate Functions

The HKMA maintains effective communication with the community and the market through the media, public education programmes, and other various channels to facilitate public understanding of its policies and operations. During the year, the HKMA continued to improve corporate governance by supporting professional development of staff, instituting rigorous financial discipline, and enhancing IT security to help cope with challenges arising from the implementation of new initiatives and the increasing complexity of work.

ENGAGING THE COMMUNITY CORPORATE DEVELOPMENT

Public communications

The HKMA works closely with the media to enhance its transparency and promote public understanding about its policies and work. In 2016, a total of 81 open press events were held, comprising 14 press conferences, 13 stand-up interviews and 54 other public functions. A further 30 media interviews were arranged. A total of 326 bilingual press releases were issued and a large number of media enquiries were handled every day.

Within the year, the HKMA launched two important initiatives, namely the Infrastructure Financing Facilitation Office (IFFO) and Fintech Facilitation Office (FFO). To introduce the mandates and work plans of the two offices, a variety of public communication initiatives were conducted. In addition, the HKMA organised media briefings and workshops to facilitate in-depth understanding of the HKMA's operations and initiatives on a wide range of topics, such as financial inclusion, reserves management, Fintech Supervisory Sandbox, cybersecurity, and small and medium-sized enterprises financing.



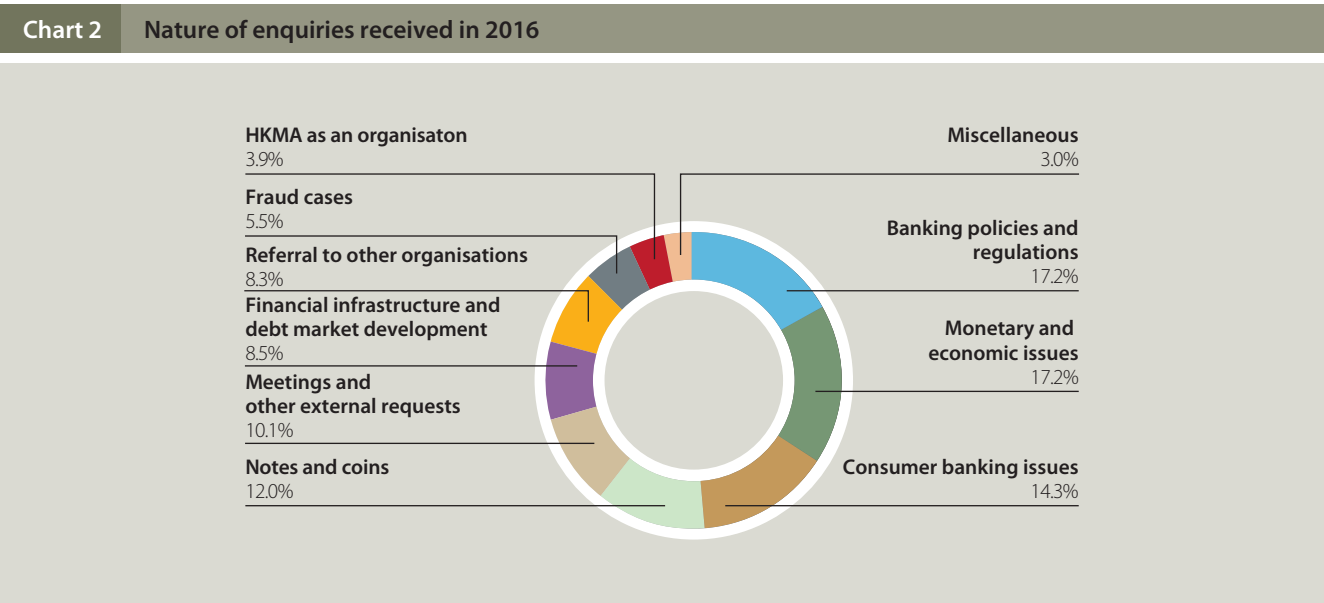
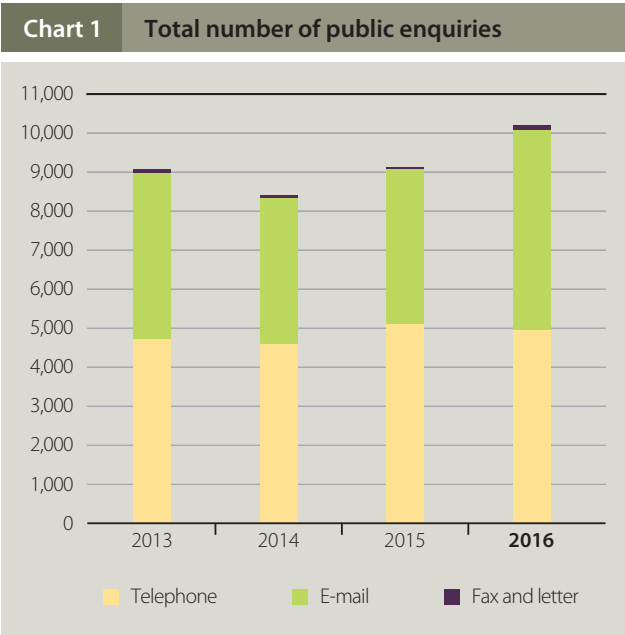
HKMA Chief Executive, Mr Norman Chan, meets with the press in Beijing during the annual Hong Kong Association of Banks trip in December 2016.

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Public enquiries

The Public Enquiry Service provides an effective means for the public to obtain information about the role and work of the HKMA. The Service handled 10,170 enquiries in 2016, representing an increase of 12% over 2015. About half of them were related to banking policies and regulations, monetary and economic issues, and consumer banking matters. Notable examples included banking products and services, the coin collection programme, banking-related guidelines and circulars, stored value facilities (SVFs) and retail payment systems (RPSs), prevention of money laundering and terrorist financing, and prudential measures for property mortgage loans.

Chart 1 shows the number of public enquiries received since 2013 and Chart 2 provides a breakdown by nature of the enquiries in 2016.



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Publications

Apart from the *HKMA Annual Report*, the HKMA published two issues of the *Half-Yearly Monetary and Financial Stability Report*, four issues of the *Quarterly Bulletin*, and released regular updates of the *Monthly Statistical Bulletin* over the past year to provide up-to-date and thematic information and analyses on monetary, banking and economic issues in Hong Kong. In addition, the HKMA published a total of 32 *inSight* articles in 2016, a significant increase from 14 articles in 2015, covering various topical issues related to the work of the HKMA.

The *HKMA Annual Report 2015* received a Silver award in the “Non-Profit Making and Charitable Organisations” category in the Hong Kong Management Association’s 2016 Best Annual Reports Awards.

Public Education Programme

The HKMA Information Centre on the 55th Floor of Two International Finance Centre is an important resource for introducing the work of the HKMA to the community and promoting public awareness of monetary and banking matters. The Centre consists of an exhibition area and a library, and is open to the public six days a week. The exhibition area introduces the work of the HKMA and the development of money and banking in Hong Kong. It also contains reading materials and exhibits for the study of Hong Kong’s monetary, banking and financial affairs.

In the fourth quarter of 2016, the policy section of the Information Centre, which introduces the work of the HKMA and related financial concepts, commenced refurbishment with the aim of enhancing the experience of visitors by enriching the contents of the exhibitions and introducing various interactive elements. In particular, interactive games are introduced to integrate play into learning and illustrate complicated financial concepts in a simple way. There are also touchscreen panels to explain the work of the HKMA in a more comprehensive and in-depth manner. In addition, there is a mosaic artwork of the Victoria Harbour which is made up of more than 130,000 pieces of Hong Kong coins. The new look of the policy section was re-opened to the public on 24 February 2017.

The HKMA website

The HKMA corporate website (www.hkma.gov.hk), with over 50,000 pages in English and traditional and simplified Chinese, is the public access gateway to up-to-date information about the HKMA. It also contains the Register of Securities Staff of Authorized Institutions (AIs) and the Register of AIs and Local Representative Offices, both maintained under section 20 of the Banking Ordinance, as well as the Register of SVF Licensees under the Payment Systems and Stored Value Facilities Ordinance. Dedicated webpages and eye-catching short-cut links have been provided to draw public attention to the new initiatives of the HKMA, such as the regulatory regime for SVFs, IFFO and FFO, as well as important and timely information, such as reminders on the need to remain vigilant against bogus phone calls and the location of Coin Carts under the Coin Collection Programme.



The new look of the Information Centre's policy section.



A mosaic artwork of the Victoria Harbour which is made up of Hong Kong coins.

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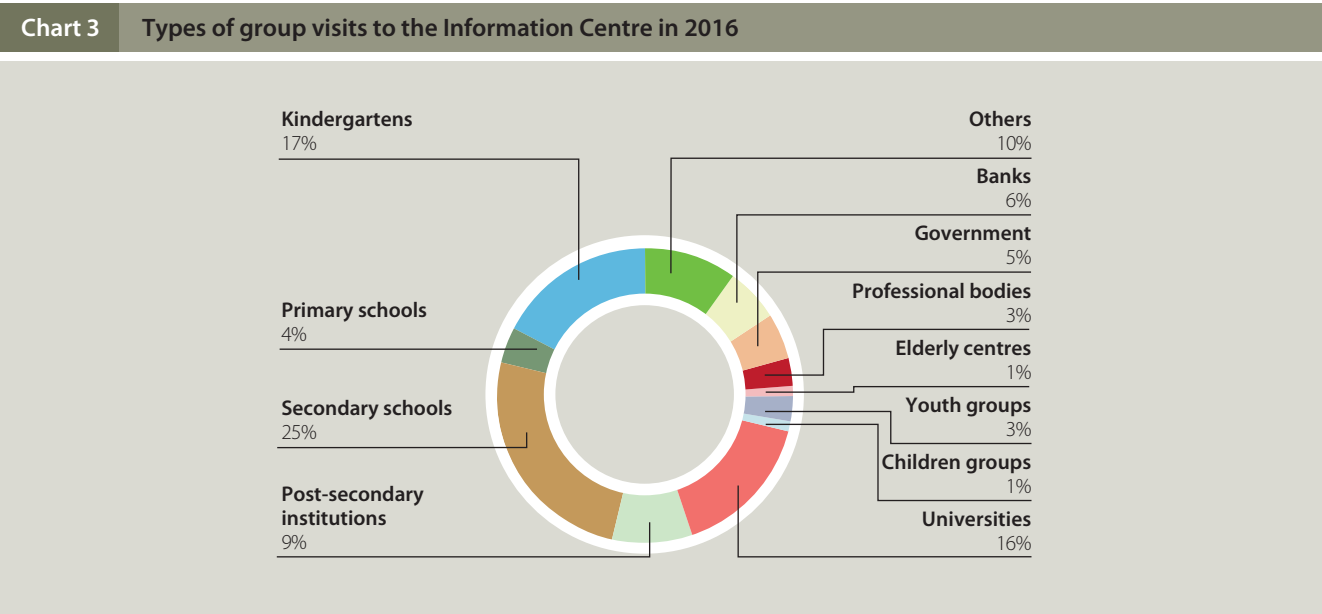
Guided tours of the Information Centre are organised for visitors. During the year, the Centre received more than 56,200 visitors and hosted over 580 guided tours for schools and other groups (Chart 3). Over 586,600 people have visited the Information Centre since it opened in December 2003.

The library, situated next to the exhibition area, houses more than 23,000 books, journals and other publications for the detailed study of Hong Kong’s monetary, banking and financial affairs and central banking topics. It also maintains electronic registers of AIs and local representative offices and securities staff of AIs as required by section 20 of the Banking Ordinance.

To reach out to the community and raise public awareness of the HKMA’s work, the HKMA continued to organise public education seminars. In 2016, three seminars were held for more than 1,750 secondary school students and teachers. Topics covered in the seminars included the Linked Exchange Rate System, banking stability, banknotes in Hong Kong, smart tips on using banking-related products and services, and the Deposit Protection Scheme. More than 56,400 people have participated in this programme since its launch in 1998.



Students and teachers from secondary schools in different districts participate in one of the public education seminars.



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HUMAN RESOURCES

The HKMA recruits, develops and maintains a highly professional workforce to support its policy objectives and respond flexibly to changing work priorities. While the HKMA is an integral part of the Government, it employs staff on terms different from those of the civil service to attract personnel with the right experience and expertise. As a public organisation, the HKMA aims to maintain a lean and flexible structure and, where possible, to redeploy staff resources to undertake new initiatives and meet the increasing workload.

Staffing

The establishment of the HKMA at the beginning of 2016 was 875. In the second half of 2016, 12 posts were created to carry out the HKMA's regulatory functions under the new insurance regulatory regime. The establishment of the HKMA therefore stood at 887 at the end of 2016.

In 2017, the establishment is increased by 40 to 927 (an increase of 4.5%) to ensure that sufficient resources are provided to cope with (i) the implementation of new legislation and initiatives, (ii) the continuation of pilot projects proven necessary on an on-going basis, and (iii) the increasing complexity and volume of existing work. The new posts are deployed to the following functions:

- ◆ Enhancing banking and financial stability, which includes:
 - enhancing supervisory capacity to manage growing technology risk and new fintech initiatives of banks, and to deal with the regional and business expansion of banks;
 - strengthening supervisory and enforcement efforts in anti-money laundering and counter-terrorist financing and preparing for the 2018 Financial Action Task Force Mutual Evaluation;
 - gearing up the planning and preparatory work for the implementation of the Financial Institutions (Resolution) Ordinance, which applies international standards to address the “too big to fail” problem of the financial industry; and
 - strengthening supervisory capacity for new international standards on capital and market risks, and enhancing resources for handling consumer protection issues and banking complaints.
- ◆ Strengthening investment, risk management and other related support to the expanding investment activities resulting from the further diversification of the Exchange Fund's investment products, and enhancing strategic asset allocation and investment processes in the light of an increasingly challenging investment environment.
- ◆ Developing and implementing talent development programmes and enhancing related resources to ensure the HKMA has the necessary human capital to keep pace with market developments and meet the challenges ahead.
- ◆ Stepping up research capacity on monetary issues and handling of monetary statistics, and providing resources for handling enquiries and complaints relating to the licensing/designation and supervision of SVFs and RPSs.

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Table 1 gives a breakdown of the establishment and strength of the HKMA.

Table 1 Establishment and strength of the HKMA on 1 January 2017					
Department	Functions	Senior staff		Others	
		Establishment	Strength	Establishment	Strength
Senior Executives' Office	Top management of the HKMA.	4	4	9	9
Banking Conduct	To take charge of payment systems oversight, licensing, and all supervisory and development functions relating to the business conduct of Als.	1	1	85	79
Banking Policy	To formulate supervisory policies for promoting the safety and soundness of the banking sector.	1	1	38	32
Banking Supervision	To supervise operations of Als.	1	1	162	150
Enforcement and AML	To investigate and where appropriate take enforcement action under relevant Ordinances, to supervise anti-money laundering and counter-terrorist financing systems and to handle complaints.	1	1	96	89
External	To help develop and promote Hong Kong as an international financial centre, to foster regional monetary co-operation through participation in the international central banking and financial community, and to promote the development of financial markets.	1	1	53	50
Financial Infrastructure	To develop and enhance the financial market infrastructure for maintaining and strengthening Hong Kong's status as an international financial centre, to take charge of deposit protection and settlement functions, and to ensure adequate supply of banknotes and coins.	1	1	56	55
Monetary Management	To maintain financial and monetary stability through macro-financial surveillance and monitoring of market operations, to license and supervise SVFs, and to designate and oversee important RPSs.	1	1	48	47
Research	To conduct research and analysis on economic and financial market developments in Hong Kong and other economies.	1	1	39	37
Reserves Management	To manage reserves to achieve investment returns in line with established guidelines and to enhance the quality of returns by diversifying into different investment markets and asset types.	1	1	79	66
Risk and Compliance	To oversee all risk-generating activities, including investment risks and other non-investment related corporate risks of the HKMA.	1	1	40	37
Office of the General Counsel	To provide in-house legal support and advice.	1	1	23	22
Corporate Services	To provide support services in the form of administrative, finance, human resources, information technology and secretariat services, and to handle media and community relations.	1	1	173	156
Internal Audit Division	To provide audit services through assisting the management in controlling risks, monitoring compliance and improving the efficiency of internal control systems and procedures.	–	–	10	9
Total		16	16	911	838

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Temporary resources are deployed to meet other work demands. The HKMA also transfers staff on secondment to other international or local organisations such as the International Monetary Fund (IMF) and the Financial Services Development Council to assist in activities or policy initiatives in which Hong Kong or the HKMA has an interest. Some staff members are deployed on a full-time or part-time basis to provide operational support to the Hong Kong Deposit Protection Board and the Treasury Markets Association.

Remuneration policies and pay review mechanism

The Financial Secretary (FS) determines the pay and conditions of service for HKMA staff on the advice of the Governance Sub-Committee (GSC) through the Exchange Fund Advisory Committee (EFAC), taking into account the prevailing market rates and practices. Remuneration comprises a total cash package and a provident fund scheme, with minimal benefits in kind. The cash package consists of monthly fixed pay (or basic pay) and variable pay, which may be awarded to individual staff members as a lump sum once a year depending on performance.

Pay for HKMA staff is reviewed annually by the FS in the light of recommendations made to him by the GSC through EFAC, taking into account the GSC's assessment of the performance of the HKMA in the preceding year, the pay-survey findings of the financial sector conducted by independent human resources consultants and any other relevant factors. Special pay adjustments may be made from time to time for individual meritorious staff to maintain their pay competitiveness.

Any approved annual adjustments to the fixed pay or any variable pay awards for the HKMA are distributed to individual staff based on their performance. Investment professionals in the HKMA are subject to a variable pay system that seeks to strengthen the linkage between their investment performance and remuneration award. The pay adjustments or awards for individual staff members at the ranks of Executive Director or above are approved by the FS on the advice of the GSC. The staff members concerned are not present at the meetings when their pay is discussed. The pay adjustments or awards for individual staff members at the ranks of Division Head and below are determined by the Chief Executive of the HKMA under delegated authority from the FS and within the approved overall pay awards.

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Remuneration of senior staff

The remuneration packages of the senior staff in 2016 are shown in Table 2.

Table 2 Remuneration packages of HKMA senior staff in 2016¹

HK\$'000	Chief Executive	Deputy Chief Executive/ Senior Executive Director (average)	Executive Director (average)
Number of staff ²	1	5	15
Annualised pay			
Fixed pay	6,939	5,802	3,887
Variable pay	2,600	1,533	998
Other benefits ³	1,114	824	549

1. Except for annual leave accrued, the actual remuneration received by staff who did not serve out a full year is annualised for the purpose of calculating the average annual package for the rank.
2. The number of staff in this table includes staff who did not serve out a full year. The Senior Executive Director rank includes the Chief Executive Officer of the Hong Kong Mortgage Corporation.
3. Other benefits include provident funds, medical and life insurance and annual leave accrued during the year. The provision of these benefits varies among senior staff depending on individual terms of service.

Training and development

The HKMA puts much emphasis on developing staff capabilities to meet operational demand, career development and new challenges. During the year, HKMA staff attended various training courses equivalent to 3,447 days. These included 1,661 days of horizontal training in general skills, and 1,786 days of vertical training in job-specific issues. Each staff member received on average 4.1 days of training. These training courses were organised in-house, or by the Government, other central banking institutions, local and overseas universities, consultants and training institutions.

As part of the horizontal training programme, an annual in-house induction course covering an overview of central banking, and the roles and functions of the HKMA was organised for new staff. Other horizontal training programmes attended by staff during the year covered leadership programmes and executive coaching, project management, communication and presentation skills, team building, the global economy, public policy, national and foreign affairs studies, computer skills and language courses.

Vertical training for staff covered various job-specific topics, including resolution and resolvability, banking law, risk-focused supervision and risk assessment, banking returns analysis, liquidity supervision and stress testing, derivatives trading, investigation skills and cybersecurity. Staff were also sponsored to attend relevant courses run by local professional bodies and training consultants.

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To enhance the work-related knowledge and professional standards of staff, the HKMA runs a training sponsorship scheme to help staff pursue studies relevant to the work of the HKMA. The scheme covers degree or diploma courses, professional examinations and short-term courses. Reimbursement of membership fees of relevant professional bodies is also provided.

GENERAL ADMINISTRATION

The HKMA continues to streamline its work to improve efficiency and cost-effectiveness in coping with the increasing workload. Business continuity plans are reviewed regularly to ensure their effectiveness in a changing business and social environment. Drills on evacuation and the activation of back-up facilities are conducted regularly to ensure the responsiveness and preparedness of various business continuity measures. A dedicated team monitors the influenza alerts and other relevant infectious diseases to ensure necessary precautionary and contingency measures are taken in a timely manner.

The HKMA has an established environmental policy to protect and preserve the environment. Office green measures include the use of energy-saving devices, recycled paper and envelopes, arrangements for recycling, and minimising printing and the use of paper products. Green achievements in 2016 included reduction in the consumption of electricity (1%), chilled water (2.5%) and paper (1.9%), while the collection of waste paper increased by 4.7%.

During the year, HKMA staff continued to support various charitable events. The HKMA Team participated in the “Challenging 12 Hours Charity Marathon” to support the Sowers Action in promoting education aid in Mainland China. The Team came sixth out of 27 teams, and completed the marathon in 7 hours and 25 minutes. HKMA staff actively took part in the Blood Donation Day, the Community Chest’s Skip Lunch Day, Dress Casual Day and Love Teeth Day. Staff also participated in regular campaigns for collecting clothes, toys and other reusable items for donation to charities.

In 2016, the HKMA Volunteer Team devoted more than 300 hours of their free time to serving the community. In the fund-raising event “Running Oi Man” organised by the Senior Citizen Home Safety Association, the HKMA team won the “Best Costume Award” out of ten participating teams. Other activities participated by the team included the “A Lai See for Elderly” Campaign to support the needy for free use of 24-hour emergency support and care services organised by the Agency of Volunteer Service, “Care for the Elderly Charity Ticket” Campaign organised by the Senior Citizen Home Safety Association, home visit programme to the elderly organised by The Neighbourhood Advice-Action Council, the Children Charity Walk and Carnival organised by The Society for the Relief of Disabled Children as well as the Aniform Day organised by The Society for the Prevention of Cruelty to Animals. In recognition of the HKMA’s commitment in caring for the community, the HKMA has been accredited with the “10 Years Plus Caring Organisation Logo” by the Hong Kong Council of Social Service.

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HKMA volunteers participate in a fund-raising event "Running Oi Man" organised by the Senior Citizen Home Safety Association on 12 November 2016 and win the "Best Costume Award" out of ten participating teams.

FINANCE

Annual budget

In drawing up the annual budget, the HKMA takes into account its ongoing operations and strategic development set out in a three-year plan approved by the FS on the advice of EFAC. Departments are required to assess their needs for the coming year and to review whether savings in staffing and expenditure can be achieved. This requires departments to critically assess the value of existing services and the cost-effectiveness of delivery methods. The Finance Division scrutinises all budget requests in communication with individual departments before submitting a consolidated draft budget for further scrutiny by senior management. The GSC of EFAC then deliberates on the proposed budget and recommends any changes it considers necessary, before putting it through EFAC to the FS for approval.

All expenditure items are subject to stringent financial controls through detailed procurement rules and guidelines. Compliance with these guidelines is subject to internal audit and is reviewed by independent auditors during the annual audit of the Exchange Fund. Expenses are analysed and reported to senior management every month.

The administrative expenditure in 2016 and the budgeted expenditure for core activities in 2017 are shown in Table 3. The difference between the 2016 actual expenditure and the 2017 budget arises mainly from an increase in staff costs, including the full-year effect of staff changes and pay review in 2016, and a net increase of 40 posts in 2017. The headcount change for 2017 was approved by the FS on the advice of EFAC.

Table 4 shows other expenses that are not directly related to the HKMA's own operations. Expenses related to the provision of premises for international organisations, whose presence in Hong Kong promotes our status as an international financial centre, are expected to remain broadly stable in 2017. Spending on financial infrastructure is related to the operation and continued development of payment and settlement systems to enable markets to function efficiently and securely. The HKMA also provides operational support to the Hong Kong Deposit Protection Board on a cost-recovery basis as endorsed by the FS according to section 6 of the Deposit Protection Scheme Ordinance (Cap. 581).

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Table 3 HKMA administrative expenditure

HK\$ million	2016 Budget	2016 Actual	2017 Budget
Staff costs	1,263		1,371
Salaries and other staff costs		1,059	
Retirement benefit costs		98	
Premises expenses			
Operating lease charges	26	26	34
Other premises expenses (including management fees and utility charges)	62	59	68
General operating costs			
Maintenance of office and computer equipment	101	93	98
Financial information and communication services (including trading, dealing terminals and data link charges)	60	49	63
External relations (including international meetings)	55	30	51
Public education and publicity	15	14	25
Professional and other services	60	30	85
Training	12	7	13
Others	19	12	12
Total administrative expenditure	1,673	1,477	1,820

Table 4 Additional expenses

HK\$ million	2016 Budget	2016 Actual	2017 Budget
Subsidy to the Hong Kong Institute for Monetary Research	19	11	20
Premises expenses of international financial organisations in Hong Kong	40	40	39
Service fees for financial infrastructure	63	50	147

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Financial disclosure

The HKMA adopts international standards in financial disclosure as far as they are applicable to central banking operations. These include the Hong Kong Financial Reporting Standards (HKFRSs) and other applicable reporting requirements (for example, the IMF's Special Data Dissemination Standard). Working with the external auditor and other accounting professionals, the Finance Division prepares and presents the Exchange Fund's financial statements in accordance with the HKFRSs. To achieve a high level of transparency, the HKMA also provides detailed disclosure and thorough analyses of a wide range of expense items and budgetary information in its *Annual Report*.

INFORMATION TECHNOLOGY

The Information Technology (IT) Division maintained almost 100% operational uptime in 2016 for all time-critical systems.

To ensure continued reliability of the HKMA's IT systems, ageing or outdated components of the IT infrastructure were replaced or updated according to planned schedules. Good progress was made in the implementation of the Virtual Desktop Infrastructure (VDI) project which provides a platform with much enhanced flexibility to support office automation services.

IT security continued to be the Division's high priority task. During the year, the Division conducted a comprehensive review of HKMA's IT security with various enhancement measures implemented. In particular, in the light of a major theft incident on SWIFT in 2016, security enhancements were made on the SWIFT system for reinforcing the existing internal controls and making the system more robust to withstand potential threats.

In response to an increasing trend of high-profile attacks through Advanced Persistent Threats (APTs), the Division implemented an APT defense system to provide more robust protection to the HKMA's IT systems against such attacks.

SETTLEMENT SERVICES

The Settlement Section provides settlement and operational support to ensure accurate, efficient and reliable transfer of funds or assets of the Exchange Fund arising from reserves management, monetary operations and other activities, as well as for the administration of the HKMA. In view of the risks of cyber attacks, the Settlement Section remains vigilant towards possible operational and security issues that may arise during the provision of settlement services. In 2016, the Settlement Section tightened its operational and access controls by enhancing both preventive and detective measures in settlement processes and system security. This helps ensure accurate, efficient and safe transfer of funds and assets of the Exchange Fund.

OFFICE OF THE GENERAL COUNSEL

The Office of the General Counsel (OGC) is responsible for providing legal advice to the HKMA on all aspects of its functions and activities. It comprises 17 lawyers who assist the HKMA in maintaining Hong Kong's banking and monetary stability, enhancing its financial infrastructure, maintaining its status as an international financial centre, and ensuring the effective management of the Exchange Fund.

In addition to providing legal support to the operation of each line department in the HKMA, the OGC assists in the planning and implementation of projects, initiatives and operations, most of which involve complex issues of commercial, regulatory and administrative law. Examples include:

- ◆ implementation of the Basel III framework, including the Banking (Capital) (Amendment) Rules 2016 and the Banking (Disclosure) (Amendment) Rules 2016
- ◆ provision of advice on recovery and resolution planning of global systemically important banks, including advising on the drafting of bank-specific cross-border co-operation agreements

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- ◆ participation in the formulation of proposals with the Government and other regulators for an effective resolution regime for financial institutions in Hong Kong
- ◆ provision of legal advice on the drafting of the Financial Institutions (Resolution) Bill (enacted as an ordinance in June 2016) and the subsidiary legislation to be made under the ordinance and on issues relevant to bringing the resolution regime in Hong Kong into operation
- ◆ involvement in initiatives for cross-border resolution for global systemically important financial institutions, including participation in the Financial Stability Board Resolution Steering Group and Legal Experts Group on Cross-border Recognition of Resolution Actions
- ◆ advising on legal issues relating to the entry by the Monetary Authority as a foreign central bank to the China Interbank Bond and Foreign Exchange Market for the purpose of investments in a variety of financial products
- ◆ advising on legal issues relating to the implementation of the regulatory regime for SVFs and RPSs in Hong Kong
- ◆ advising on legal issues relating to the implementation of the regulatory regime for over-the-counter derivatives market in Hong Kong
- ◆ continued development of procedures for the prosecution of offences under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the Securities and Futures Ordinance in respect of the business of over-the-counter derivatives transactions
- ◆ conduct and management of litigation matters involving the HKMA.

The OGC provides comments to government bureaux on significant legislative proposals from time to time, such as those listed above. OGC lawyers participate in regular meetings and conferences for central bankers, financial regulators and the banking community to keep abreast of topical developments in major international financial centres and to discuss and resolve issues of current legal concern. The OGC assists in promoting understanding of the HKMA's work and legal issues by taking up speaking engagements in academic programmes, professional symposiums and international forums.

INTERNAL AUDIT

The Internal Audit Division independently assesses the adequacy and effectiveness of control, risk management and governance processes, and advises on opportunities for improvement. The Division reports directly to the Chief Executive of the HKMA and the EFAC Audit Sub-Committee (ASC).

Using a risk-based approach, operational audits and system security reviews were conducted to cover the HKMA's significant risk areas. The Division also advised on major system development projects and internal control issues in response to requests from management and senior executives. The Division provided quarterly business risk updates to the Risk Committee, and quarterly reports to the senior executives and the ASC regarding audit engagement progress updates and key internal control matters.

RISK MANAGEMENT

One of the most important tasks of the HKMA is to manage risks to the monetary and banking systems. Risk management is undertaken both at a working level in the day-to-day operations of the HKMA and at a higher level through strategic planning. There are two high-level committees under the HKMA's risk management framework, the Macro Surveillance Committee and the Risk Committee. Both committees are chaired by the Chief Executive of the HKMA.

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The terms of reference of the Macro Surveillance Committee are:

- ◆ to identify potential risks and threats to the monetary and financial system in Hong Kong and discuss possible measures to address such risks
- ◆ to review existing measures for managing risks in the monetary and financial system to identify possible gaps and ensure the adequacy of these measures
- ◆ to encourage cross-department sharing of relevant information on macro surveillance with a view to enhancing the macro surveillance capability of the HKMA.

The terms of reference of the Risk Committee are:

- ◆ to identify potential risks and threats to the organisation and devise strategies to reduce the impact of such events
- ◆ to review the existing system for managing risks across different departments to identify possible gaps and significant risks and ensure the adequacy of measures to address them
- ◆ to harmonise the criteria and methods of risk measurement and prioritise the resources management of risks identified
- ◆ to encourage a stronger risk management culture institutionally which promotes the proper levels of authorisation and controls.

Because of the growing complexity of the activities engaged by the HKMA, and the increasing public expectations of the organisation's work, the operational risk management process was strengthened in 2012. The framework now covers organisational risks at two levels: entity-level and department-level. Entity-level risks mainly refer to those that concern the entire organisation in the medium term, or which might call for a cross-departmental response. Potential or emerging risks identified by the business units, and the adequacy of the control measures and mitigating strategies they devise, are reported and reviewed quarterly. This is supplemented by a top-down approach to managing entity-level risks, in which senior colleagues heading different business units actively identify risks of wider impact and propose mitigating measures. These assessments are discussed at the Risk Committee, at which appropriate follow-up actions are decided.

EXTERNAL AUDITOR

In accordance with section 7 of the Exchange Fund Ordinance, the Audit Commission of the Government of the Hong Kong Special Administrative Region audits the financial statements of the Exchange Fund. The Commission does not charge for this service.